

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Justice
State of Louisiana
Baton Rouge, Louisiana

January 29, 2003



Financial and Compliance Audit Division

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DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2002
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

January 29, 2003

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2002
With Supplemental Information Schedules

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DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
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A



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January 10, 2003

Independent Auditor's Report
on the Financial Statements

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of management of the Department of Justice. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-C, the accompanying special purpose financial statements present only the funds of the Department of Justice. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The appropriated fund reflects appropriated activity of the department that is part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements do not purport to, and do not, present fairly the financial position and changes in financial position of those activities and funds of the department in conformity with accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Audit Report, June 30, 2002

In our opinion, the special purpose financial statements referred to previously present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Justice at June 30, 2002, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2003, on our consideration of the Department of Justice's internal control over financial reporting and on our tests of its compliance with certain laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of Justice taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are stated fairly in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Department of Justice and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

BB:STD:RR:ss

[JUSTICE02]

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

Balance Sheet (Legal Basis), June 30, 2002

	APPROPRIATED FUND - GENERAL APPROPRIATION	OTHER FUNDS		
		JUSTICES OF THE PEACE AND CONSTABLES TRAINING	CONSUMER ENFORCEMENT	CONTINUING LEGAL EDUCATION
ASSETS				
Cash (note 2)	\$1,699,694	\$79,118	\$577,973	\$1,658
Accounts receivable - fees and self-generated revenues	1,060,798			
Due from others (note 4)	656,788			
Inventories of materials and supplies (note 1-G)	10,554			
TOTAL ASSETS	\$3,427,834	\$79,118	\$577,973	\$1,658
LIABILITIES AND FUND EQUITY				
Liabilities:				
Payables (note 5)	\$852,761			
Advance from state treasury (note 13)	50,000			
Due to others (note 4)	2,910,518			\$1,658
Other liabilities				
Total Liabilities	3,813,279	NONE	NONE	1,658
Fund Equity - fund balances (deficit):				
Reserved for:				
Inventories of materials and supplies (note 1-G)	10,554			
Continuing operations (note 14)		\$79,118	\$577,973	
Unreserved - undesignated (deficit) (note 15)	(395,999)			
Total Fund Equity	(385,445)	79,118	577,973	NONE
TOTAL LIABILITIES AND FUND EQUITY	\$3,427,834	\$79,118	\$577,973	\$1,658

The accompanying notes are an integral part of this statement.

Statement A

NON-APPROPRIATED FUNDS							
AGENCY FUNDS							
COLLECTIONS OF DELINQUENT STUDENT LOANS	ESCROW SETTLEMENT	JUSTICES OF THE PEACE AND CONSTABLES ACTIVITY	NONPUBLIC SCHOOLS ESCROW	GOING OUT- OF-BUSINESS	NON-PROFIT HOSPITALS	INCOME NOT AVAILABLE	TOTAL (MEMORANDUM ONLY)
\$134,859	\$49,269	\$18,444	\$2,884	\$157,902		\$28,735	\$2,721,801
6,851					\$36,919		1,089,533
							700,558
							10,554
<u>\$141,710</u>	<u>\$49,269</u>	<u>\$18,444</u>	<u>\$2,884</u>	<u>\$157,902</u>	<u>\$36,919</u>	<u>\$28,735</u>	<u>\$4,522,446</u>
							\$852,761
							50,000
\$34,035	\$49,269	\$18,444	\$2,884	\$157,902	\$36,919	\$28,735	3,240,364
107,675							107,675
<u>141,710</u>	<u>49,269</u>	<u>18,444</u>	<u>2,884</u>	<u>157,902</u>	<u>36,919</u>	<u>28,735</u>	<u>4,250,800</u>
							10,554
							657,091
							(395,999)
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>271,646</u>
<u>\$141,710</u>	<u>\$49,269</u>	<u>\$18,444</u>	<u>\$2,884</u>	<u>\$157,902</u>	<u>\$36,919</u>	<u>\$28,735</u>	<u>\$4,522,446</u>

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2002**

	GENERAL APPROPRIATION FUND	NON- APPROPRIATED - OTHER FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES			
Appropriated by legislature:			
State General Fund	\$10,310,638		\$10,310,638
State General Fund by:			
Fees and self-generated revenues	12,661,775		12,661,775
Interagency transfers	1,366,936		1,366,936
Federal funds	1,506,872		1,506,872
Non-appropriated revenues		\$657,954	657,954
Total revenues	25,846,221	657,954	26,504,175
EXPENDITURES			
Appropriated expenditures:			
Administrative	2,977,009		2,977,009
Civil law	7,550,643		7,550,643
Criminal law and Medicaid fraud	4,789,488		4,789,488
Risk litigation	10,880,960		10,880,960
Gaming program	3,913,170		3,913,170
Non-appropriated expenditures		309,860	309,860
Total expenditures	30,111,270	309,860	30,421,130
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(4,265,049)	348,094	(3,916,955)
OTHER FINANCING SOURCES (Uses)			
Transfers in (note 17)	4,753,029		4,753,029
Transfers out (note 17)	(594,113)		(594,113)
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(106,133)	348,094	241,961
FUND BALANCES (Deficit) AT BEGINNING OF YEAR	(279,202)	308,997	29,795
DECREASE IN RESERVE FOR INVENTORY	(658)	NONE	(658)
ADJUSTMENT (note 16)	548	NONE	548
FUND BALANCES (Deficit) AT END OF YEAR	(\$385,445)	\$657,091	\$271,646

The accompanying notes are an integral part of this statement.

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND

Statement of Revenues, Expenditures, and
Unexpended Appropriation - Budget
Comparison of Current-Year Appropriation -
Budget (Legal Basis) and Actual
For the Year Ended June 30, 2002

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Appropriated by legislature:			
State General Fund	\$10,615,153	\$10,310,636	(\$304,517)
State General Fund by:			
Fees and self-generated revenues	16,454,807	12,686,478	(3,768,329)
Interagency transfers	1,733,484	1,333,719	(399,765)
Statutory dedications:			
Riverboat Gaming Enforcement	4,322,564	3,620,898	(701,666)
Insurance Fraud	305,455	305,455	
Louisiana Fund	357,247	321,079	(36,168)
Federal funds	1,909,212	1,571,132	(338,080)
Total appropriated revenues	<u>35,697,922</u>	<u>30,149,397</u>	<u>(5,548,525)</u>
EXPENDITURES			
Appropriated for:			
Administrative	3,549,976	2,998,164	551,812
Civil law	11,186,139	7,545,294	3,640,845
Criminal law and Medicaid fraud	5,040,611	4,779,114	261,497
Risk litigation	11,069,118	10,875,255	193,863
Gaming	4,852,078	3,890,283	961,795
Total appropriated expenditures	<u>35,697,922</u>	<u>30,088,110</u>	<u>5,609,812</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR	<u>NONE</u>	<u>\$61,287</u>	<u>\$61,287</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2002

INTRODUCTION

The Department of Justice is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 36, Chapter 18 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is charged with the authority to institute, prosecute, or intervene in any civil action or proceeding to assert or protect any right or interest of the State of Louisiana. The department provides a full range of legal services to various state agencies and officials. Assistance is also provided to local officials in both civil and criminal matters within the State of Louisiana. The Department of Justice consists of one general appropriation fund, two non-appropriated funds, and six agency funds. The department has 443 authorized full-time employees in the main office in Baton Rouge and the New Orleans, Shreveport, Alexandria, and Lake Charles divisions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying special purpose financial statements have been prepared on a legal basis prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as explained in the following notes.

B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements present activity of a department of state government and, therefore, are a part of the fund structure of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues basic financial statements that are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The Department of Justice uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position of its non-appropriated funds. This differs from the fund accounting of accounting principles generally accepted in the United States of America where the

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of accounting principles generally accepted in the United States of America.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, capital assets, and long-term liabilities are reflected in the State of Louisiana's basic financial statements.

The funds presented in the special purpose financial statements are described as follows:

**APPROPRIATED FUND - GENERAL
APPROPRIATION FUND**

The General Appropriation Fund is the general operating fund of the Department of Justice. It administers and accounts for the legislative appropriation provided to fund the general administrative expenditures of the department and those expenditures not funded through other specific legislative appropriations or revenues.

NON-APPROPRIATED FUNDS

**Justices of the Peace and Constables
Training Fund**

The department uses the Justices of the Peace and Constables Training Fund to receive and disburse fees pertaining to training required by Louisiana Revised Statute (R.S.) 49:251.1 for justices of the peace and constables.

Consumer Enforcement Fund

The department maintains the Consumer Enforcement Fund for the purpose of funding consumer enforcement actions, including investigations and the costs of administering settlements in such matters pursuant to the consent judgment in the case of "State of Louisiana vs. AAMCO Transmissions, Incorporated," number 312409 Division "G" of the Nineteenth Judicial District Court dated February 18, 1987.

Continuing Legal Education Agency Fund

The department maintains the Continuing Legal Education Agency Fund to provide continuing legal education seminars to members of the Louisiana State

DEPARTMENT OF JUSTICE**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Bar Association and public attorneys licensed to practice law in Louisiana and to keep them current on changes and developments in Louisiana law.

**Collections of Delinquent Student
Loans Agency Fund**

The Collections of Delinquent Student Loans Agency Fund accounts for collections of delinquent student loans by the department. The department collects delinquent student loans for all Louisiana public colleges and universities, the Office of Student Financial Assistance, the Charity Hospital School of Nursing - Delgado Community College, and the Louisiana Department of Education.

Escrow Settlement Agency Fund

The Escrow Settlement Agency Fund is used by the department to receive funds provided by a settlement or a court order from individuals or other nonpublic entities and to disburse these funds to third parties.

**Justices of the Peace and Constables
Activity Agency Fund**

The department uses the Justices of the Peace and Constables Activity Agency Fund to receive and disburse fees pertaining to social activities for justices of the peace and constables. The fees collected are not considered public funds.

Nonpublic Schools Escrow Agency Fund

The Nonpublic Schools Escrow Agency Fund is maintained by the department to receive funds provided by a court order. Distribution of these funds may be made to any nonpublic school only upon order of the court.

Going Out-of-Business Fund

The Going Out-of-Business Fund is maintained by the department to receive funds from businesses that are closing and are having an inventory liquidation sale. Each business provides a deposit to the department that is held in escrow until refunded 60 days after the liquidation sale.

Non-Profit Hospitals

The Non-Profit Hospital Fund is maintained by the department to receive funds to defray expenses incurred in the review and approval of non-profit hospital acquisitions. The department receives \$50,000 from each applicant requesting the acquisition of a non-profit hospital to be used for outside legal and

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

accounting experts who assist the Attorney General's staff in the timely review of information required in the application. Any balance of the fee remaining at the conclusion of the review process will be returned to the applicant.

Income Not Available

The department collects funds specifically identified by the Division of Administration, Office of Planning and Budget, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B but are detailed on Schedule 1.

The non-appropriated funds relating to the Continuing Legal Education Fund, Collections of Delinquent Student Loans, Escrow Settlement, Justices of the Peace and Constables Activity, Nonpublic Schools Escrow, Going Out-of-Business, Non-Profit Hospitals, and Income Not Available are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Revenues

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues, interagency transfers, and non-appropriated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year. Fees and self-generated revenues are derived mainly from legal services provided to state agencies such as the Office of Risk Management and from commissions earned on the collection of delinquent student loans. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section G60.111.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recorded as expenditures when paid. Furthermore, any expenditures of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

Other Appropriated Financing Sources and Uses

Transfers are recognized in the year the department is authorized to receive or make the transfer in accordance with provisions of the Division of Administration, Office of Statewide Reporting and Accounting Policy.

E. BUDGET PRACTICES

The appropriation made for the general operations of the department is an annual lapsing appropriation and is recorded in the General Appropriation Fund. The non-appropriated funds are not subject to budgetary control.

1. The budget process for the General Appropriation Fund is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D, except that transfers in and out and funds carried forward from the prior year are recognized as revenues on Statement C, while federal receivables attributable to the payroll accrual at fiscal year-end are not recognized as revenues on Statement C. In addition, the accrual of salaries and related benefits at fiscal year-end are not recognized as expenditures on Statement C. Revenues and expenditures, as shown on

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B revenues	\$25,846,221
Add:	
Prior-year federal funds payroll accrual	20,325
Self-generated carry forward from 2000-2001	80,000
Federal funds carry forward from 2000-2001	66,369
Other fund sources - transfers in	4,753,029
Less:	
Other fund uses - transfers out	(594,113)
Current-year federal funds payroll accrual	<u>(22,434)</u>
Statement C revenues	<u><u>\$30,149,397</u></u>
Statement B expenditures	\$30,111,270
Add - prior-year payroll accrual	438,675
Less - current-year payroll accrual	<u>(461,835)</u>
Statement C expenditures	<u><u>\$30,088,110</u></u>

2. The department is prohibited by statute from over-expending the program levels established in the General Appropriations Act.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

Original approved budget	\$34,985,378
Increase for:	
Prior-year carry forward	585,091
Federal funds	300,000
Decrease for budget reductions	<u>(172,547)</u>
Total budget amount	<u><u>\$35,697,922</u></u>

DEPARTMENT OF JUSTICE**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

F. CASH

Cash includes cash on hand, interest-bearing demand deposits, and cash in state treasury. Under state law, the department may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States.

G. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories of materials and supplies are valued at cost, which approximates market, and are recorded as expenditures at the time individual inventory items are purchased. The department uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources.

H. LONG-TERM OBLIGATIONS

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, installment purchases, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

I. ENCUMBRANCES

The following are multi-year contracts whose payments are liquidated with statutorily dedicated funds only.

Contractor	Contract Number	Balance	Funding Source
Legal Language Services	583699	\$20,000	Louisiana Fund
Taylor, Porter, Brooks & Phillips	572761	250,000	Gaming Enforcement Fund
Kantrow, Sphaht, Weaver & Blitzer	575616	46,521	Gaming Enforcement Fund
P. Raymond Lamonica	574262	67,188	Gaming Enforcement Fund
Allen & Gooch	575428	46,125	Gaming Enforcement Fund
Taylor, Porter, Brooks & Phillips	583873	95,036	Gaming Enforcement Fund
Total		<u>\$524,870</u>	

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

J. LEAVE BENEFITS

Employees earn and accumulate annual and sick leave at various rates depending on their years of service, without limitation on the balance that can be accumulated. Upon separation of employment, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for leave payable is not recorded in the accompanying financial statements.

Certain employees of the department are eligible to earn compensatory time, as defined by the *Department of Justice Policy Manual* and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. Upon termination, employees are compensated for unused compensatory leave depending upon their rate of pay. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

K. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. TOTAL COLUMNS ON STATEMENTS

The total columns on the financial statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither are such data comparable to a consolidation.

2. CASH

At June 30, 2002, the department has cash (book balances) totaling \$2,721,801.

Under control of the department:

Petty cash (on hand)	\$1,175
Cash in demand accounts	792,210
Cash on deposit with the state treasury	<u>1,928,416</u>
Total	<u><u>\$2,721,801</u></u>

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2002, the department has \$862,569 in deposits (collected bank balances). These deposits are secured from risk by \$107,460 of federal deposit insurance (GASB Risk Category 1) and \$755,109 of pledged securities held in the name of the pledging fiscal agent bank in a holding bank (GASB Risk Category 3).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements. The following is a summary of cash in the state treasury:

Appropriated funds:	
Means of finance	\$1,578,129
ISIS operating	54,642
Non-appropriated funds	<u>295,645</u>
Total	<u><u>\$1,928,416</u></u>

3. RECEIVABLES

The following schedule presents the adjustments necessary to convert receivables from the modified accrual basis to the full accrual basis as required by the Division of Administration, Office of Statewide Reporting and Accounting Policy.

	Modified Accrual Basis	Full Accrual Adjustment	Allowance for Doubtful Accounts	Full Accrual Basis
Appropriated:				
Fees and self-generated	\$1,060,798			\$1,060,798
Federal funds		\$2,965		2,965
Interagency transfers		2,535		2,535
Total appropriated revenues	<u>1,060,798</u>	<u>5,500</u>	<u>NONE</u>	<u>1,066,298</u>
Non-appropriated - income not available	<u>28,735</u>			<u>28,735</u>
Total non-appropriated revenues	<u>28,735</u>	<u>NONE</u>	<u>NONE</u>	<u>28,735</u>
Total	<u><u>\$1,089,533</u></u>	<u><u>\$5,500</u></u>	<u><u>NONE</u></u>	<u><u>\$1,095,033</u></u>

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

4. DUE FROM/TO OTHERS

The following is a summary of amounts due from/to others at June 30, 2002, as shown on Statement A:

	Non-Appropriated			
	Appropriated Fund - General Appropriation	Continuing Legal Education	Collections of Delinquent Student Loans	Escrow Settlement
Due from others:				
Other agencies - interagency transfers	\$419,256			
Federal government	237,532			
Other			\$6,851	
Total	<u>\$656,788</u>	<u>NONE</u>	<u>\$6,851</u>	<u>NONE</u>
Due to others:				
State General Fund	\$2,387,998			
State Treasury				
Interfund transfers	505,597			
Universities and court costs			\$34,035	
Plaintiffs				\$49,269
Other	<u>16,923</u>	<u>\$1,658</u>		
Total	<u>\$2,910,518</u>	<u>\$1,658</u>	<u>\$34,035</u>	<u>\$49,269</u>

The amount due to the state General Fund includes a \$2 million seed advance that was authorized by the joint approval of the state treasurer and the commissioner of administration and drawn against the state treasury. The seed represents a liability to the department and must be repaid if not reauthorized.

Funds				
Justices of the Peace and Constables Activity	Nonpublic Schools Escrow	Going Out-of- Business	Non-Profit Hospitals	Income Not Available
			\$36,919	
NONE	NONE	NONE	\$36,919	NONE
				\$28,735
\$18,444	\$2,884	\$157,902	\$36,919	
\$18,444	\$2,884	\$157,902	\$36,919	\$28,735

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

5. PAYABLES

The following is a summary of payables at June 30, 2002:

General appropriation:	
Accounts payable	\$390,925
Accrued payroll payable	<u>461,836</u>
 Total	 <u><u>\$852,761</u></u>

6. OPERATING AND CAPITAL GRANTS

Operating grants represent the total amount of the grant revenues for the year that are restricted by the grantor for operating purposes or that may be used for either capital or operating purposes at the discretion of the grantee. Capital grants represent the total amount of the revenues for the year from grants restricted by the grantor for the acquisition, construction, or renovation of capital assets.

At June 30, 2002, the total operating grants and contributions are \$1,506,872. There are no capital grants and contributions.

7. PENSION PLANS

Substantially all employees of the department are members of three statewide public employee retirement systems. Certain unclassified state employees are members of the Louisiana Teachers Retirement System (TRS) and the Municipal Police Employees' Retirement System (MPERS) and other unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). All plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Required disclosures for the TRS and LASERS for fiscal year 2001-2002 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Louisiana Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095. The MPERS issues annual publicly available financial statements and required supplementary information for the system. The reports may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana 70809-7017, or by calling 1-800-443-4248 or (225) 929-7411.

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**8. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees and their beneficiaries. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees and similar benefits for active employees are provided through the state's Group Benefits self-insurance program or one of the HMOs authorized by the program. Monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2002, the costs of retiree benefits for 32 retirees totaled \$93,029. The cost of retirees' benefits is net of the participants' contributions.

**9. JUDGMENTS, CLAIMS, AND
SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation.

The department is not involved in any lawsuits at June 30, 2002.

10. LEAVE BENEFITS

The liability for unused annual leave payable at June 30, 2002, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, is estimated to be \$1,600,792. The leave payable is not recorded in the accompanying special purpose financial statements.

The liability for accrued compensatory leave at June 30, 2002, computed in accordance with *Codification of Governmental Accounting and Financial Reporting Standards* Codification Section C60.105, is estimated to be \$40,425. Accumulated compensatory leave is not recorded in the accompanying special purpose financial statements.

11. LEASE OBLIGATIONS

There were no capital leases for fiscal year ending June 30, 2002.

The department has several noncancelable operating leases for rental of office space, office equipment, parking space, vehicles, and security systems. The future annual operating lease payments are as follows:

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

<u>Fiscal Year Ending June 30:</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2002-2003	\$1,790,415	\$163,637	\$128,868	\$2,082,920
2003-2004	1,057,824		3,545	1,061,369
2004-2005	471,394			471,394
2005-2006	179,311			179,311
2006-2007	1,600			1,600
Total	<u>\$3,500,544</u>	<u>\$163,637</u>	<u>\$132,413</u>	<u>\$3,796,594</u>

Most lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal year. Rental and lease expenditures for fiscal year ended June 30, 2002, totaled \$2,126,502.

12. INSTALLMENT PURCHASES

The department has not entered into installment purchase agreements with the Division of Administration under the Louisiana Equipment Acquisition Fund Program for the purchase of equipment.

13. ADVANCE FROM STATE TREASURY

The department has received an advance of \$50,000 from the state treasury for an imprest fund as authorized by the commissioner of administration in accordance with Title 39 of the Louisiana Revised Statutes. The fund is permanently established and periodically replenished from appropriated funds. The advance, as reflected in the accompanying statements, represents a liability to the department.

14. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, at June 30, 2002, the department has reserves for continuing operations totaling \$657,091, which may be retained for future expenditures, as follows:

<u>Fund</u>	<u>Legal Authority</u>	<u>Restricted Balance</u>
Justices of the Peace and Constables Training Trust Fund	R.S. 49:251.1	\$79,118
Consumer Enforcement Trust Fund	Court Settlements	<u>577,973</u>
Total		<u>\$657,091</u>

DEPARTMENT OF JUSTICE**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

These reserves relate to programs that are not subject to an annual appropriation, the lapsing provisions of the annual appropriation act, or to appropriations in which the legislature has authorized the department to retain the fund balance of the program for future operations of the program.

15. FUND BALANCE - UNRESERVED - UNDESIGNATED (DEFICIT)

As shown on Statement A, the General Appropriation Fund has an unreserved - undesignated fund deficit of \$395,999 at June 30, 2002. The deficit is the result of the recognition of accrued salaries, related benefits, a carry-forward adjustment, an expenditure adjustment, and miscellaneous adjustments that were required by the Office of the Governor, Division of Administration, but not included in the 2001-2002 fiscal year budget. The department will resolve the deficit by paying the liabilities with funds appropriated in the 2002-2003 fiscal year.

16. ADJUSTMENT TO FUND BALANCE AT BEGINNING OF YEAR

The adjustment to the beginning fund balance of the General Appropriation Fund, as shown on Statement B, reflects a \$548 adjustment for a surplus remitted to the General Fund.

17. OTHER FINANCING SOURCES (USES)

As shown on Statement B, the department has other financing sources (uses). These amounts represent transfers in and out as follows:

Transfers in:

Appropriated - State Treasury:	
Riverboat Gaming Enforcement Fund	\$4,090,327
Insurance Fraud Fund	305,455
Louisiana Fund	<u>357,247</u>
Total other financing sources	<u><u>\$4,753,029</u></u>

Transfers out:

Appropriated - State Treasury:	
Self-generated	\$55,298
Interagency transfers	33,218
Riverboat Gaming Enforcement Fund	469,429
Louisiana Fund	<u>36,168</u>
Total other financing uses	<u><u>\$594,113</u></u>

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

18. DEFERRED COMPENSATION PLAN

Certain employees of the Department of Justice participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in its separately issued audit report, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2002**

**SCHEDULE OF NON-APPROPRIATED REVENUES -
INCOME NOT AVAILABLE**

Schedule 1 reflects income not available (for expenditure) collected by the department during the year ended June 30, 2002, remitted to the State Treasury, and that were not available to the department for expenditure.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-APPROPRIATED - OTHER FUNDS**

Schedule 2 presents the revenues, expenditures, and changes in fund balances for the Justices of the Peace and Constables Training and the Consumer Enforcement funds for the year ended June 30, 2002.

SCHEDULE OF CHANGES IN BALANCES

Schedule 3 presents the changes in balances for the Non-Appropriated - Agency Funds for the year ended June 30, 2002.

DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues
For the Year Ended June 30, 2002

<u>NON-APPROPRIATED REVENUE FUND SOURCE</u>	<u>CASH RECEIPTS THROUGH JUNE 30, 2002</u>	<u>ACCOUNTS RECEIVABLE AT JUNE 30, 2002</u>	<u>TOTAL REVENUES</u>
Garnishments, fees, and suit settlements	\$199,117	\$9,535	\$208,652
Indirect cost - Medicaid fraud	497,496	19,200	516,696
Total Non-Appropriated Revenues	<u>\$696,613</u>	<u>\$28,735</u>	<u>\$725,348</u>

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
NON-APPROPRIATED - OTHER FUNDS**

**Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2002**

	JUSTICES OF THE PEACE AND CONSTABLES TRAINING	CONSUMER ENFORCEMENT	TOTAL
REVENUES			
Registration fees	\$37,100		\$37,100
Other revenue			
Court settlements		\$620,854	620,854
Total revenues	<u>37,100</u>	<u>620,854</u>	<u>657,954</u>
EXPENDITURES			
Hotel, food, and travel	27,365		27,365
Operating services	7,327		7,327
Supplies	6,050		6,050
Refunds	360		360
Other expenditures		268,758	268,758
Total expenditures	<u>41,102</u>	<u>268,758</u>	<u>309,860</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(4,002)	352,096	348,094
FUND BALANCES AT BEGINNING OF YEAR	<u>83,120</u>	<u>225,877</u>	<u>308,997</u>
FUND BALANCES AT END OF YEAR	<u><u>\$79,118</u></u>	<u><u>\$577,973</u></u>	<u><u>\$657,091</u></u>

**DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
NON-APPROPRIATED AGENCY FUNDS**

**Schedule of Changes in Balances
For the Year Ended June 30, 2002**

	BEGINNING BALANCE DUE TO OTHERS JULY 1, 2001	ADDITIONS	DEDUCTIONS	BALANCE AS OF JUNE 30, 2002
Continuing Legal Education Fund	\$1,658			\$1,658
Collections of Delinquent Student Loans	1,190,493	\$2,553,962	\$3,609,596	134,859
Escrow Settlement Fund	49,269			49,269
Justices of the Peace and Constables Activity Fund	21,323	6,495	9,374	18,444
Nonpublic Schools Escrow	2,884			2,884
Going Out-of-Business Fund	162,802	100	5,000	157,902
Non-Profit Hospitals				
Total	<u>\$1,428,429</u>	<u>\$2,560,557</u>	<u>\$3,623,970</u>	<u>\$365,016</u>

Schedule 3

ACCRUALS DURING JULY 1 THROUGH AUGUST 14		ENDING BALANCE DUE TO OTHERS
<u>RECEIVABLES</u>	<u>PAYABLES</u>	<u>JUNE 30, 2002</u>
		\$1,658
\$6,851	\$107,675	34,035
		49,269
		18,444
		2,884
		157,902
<u>36,919</u>	<u></u>	<u>36,919</u>
<u>\$43,770</u>	<u>\$107,675</u>	<u>\$301,111</u>

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws, regulations, and contracts and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 10, 2003

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of the Special Purpose Financial Statements
Performed in Accordance With *Government Auditing Standards*

HONORABLE RICHARD P. IEYOUNG
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Justice, a department within Louisiana state government, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department of Justice's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Lack of Internal Audit Function

The Department of Justice does not have an internal audit function to examine, evaluate, and report on its internal control, including information systems, and to evaluate its compliance with the policies and procedures of the control system. Act 12 of the 2001 Regular Session of the Legislature requires agencies with budgets in excess of \$30 million to use existing program resources for the purpose of establishing an internal audit function. The final budget for the Department of Justice totaled \$35.6 million. The department has assets in excess of \$4 million and operating revenues of \$30.5 million, as of and for the year ended June 30, 2002, which indicates the need for a

LEGISLATIVE AUDITOR

**HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Compliance and Internal Control Report
Page 2

comprehensive internal audit function. The department requested funding for an internal audit function, but because of budget constraints, the funding for the internal audit function was denied. Without an adequate internal audit function, the assets of the department may not be properly safeguarded and errors and/or fraud may not be detected in a timely manner.

The department should establish an internal audit function to ensure that the assets of the department are properly safeguarded, that internal controls are established and operating in accordance with applicable laws and regulations, and that procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Justice's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department of Justice's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Inappropriate Compensation to an Employee

During fiscal year June 30, 2002, the Department of Justice (department) made salary payments for the period March 3, 2002, through June 27, 2002, of \$21,231 to an employee that had already submitted her resignation letter. While the employee submitted her resignation, the department allowed her to remain on the payroll as a policy and planning officer until her leave was exhausted. The department's Policy and Procedure Manual, effective August 7, 2000, states that annual leave is "leave with pay granted an employee for the purpose of rehabilitation, restoration, and maintenance of work efficiency, or the transaction of personal affairs." This description contemplates that the employee will return to his/her position. R.S. 42:421(B) states that any employee or ex-employee of the state or any state agency may be paid for accrued annual leave amounting to the same maximum as is provided for members of the classified service of the state after the employee's separation from office or employment (300 hours). In addition, Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that except as otherwise provided by this constitution, the funds, credit,

LEGISLATIVE AUDITOR

**HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Compliance and Internal Control Report

Page 3

property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person association, or corporation, public or private.

The employee submitted three letters to the Attorney General, all of which were dated September 18, 2001. One letter stated that she would not be returning to work after the birth of her child. A second letter requested that she be allowed to take maternity leave from November 26, 2001, to March 1, 2002. The third letter requested that she be allowed to exhaust her annual leave once her maternity leave was finished on March 1, 2002. While the approval/signature of the Attorney General is not on the resignation letter, the Attorney General did approve the employee's two other requests. Consequently, the department has continued to pay the employee while allowing her to exhaust her compensatory and annual leave balances.

The employee's hourly rate of pay is \$33.17, excluding the cost of other benefits. As an "active" employee, she continues to earn annual and sick leave and participate in the state's benefit programs, such as the retirement system and health and life insurance programs. Based on her leave balance at June 30, 2002, her leave would not be exhausted until the spring of 2003, unless the department pays a lump sum for unused annual leave prior to that date. For the period March 3, 2002, through May 26, 2002, the employee exhausted her compensatory leave, valued at \$17,497, before using her annual leave. For the pay periods ending June 9, 2002, through October 27, 2002, total salary payments of \$27,619 have been paid to the employee for annual leave taken and an additional \$6,020 in related benefits has been incurred by the department for this employee. Allowing an employee that has resigned to remain active while exhausting his/her benefits may set a precedent for other state employees wishing to exhaust their leave balances before separating from state service.

The department should discontinue payments to the employee and immediately terminate her from employment in accordance with her resignation letter. Management did not concur with the finding (see Appendix A, pages 3-9).

Additional Comments: The Attorney General approved the employee's request to exhaust her leave after her maternity leave ended and so allowed her to remain on annual leave for six months. Any verbal changes, including acceptance or rejection, to the letters were not documented in the personnel files. The fact that the employee had been on leave for six months and was paid \$9,951 for 300 hours of annual leave upon her actual termination effective December 9, 2002, suggests that the employee was exhausting her annual leave and had no intention of returning to work.

LEGISLATIVE AUDITOR

**HONORABLE RICHARD P. IEYOUNG
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Compliance and Internal Control Report
Page 4

In addition, on October 15, 2001, prior to going on leave, the employee was moved from the Deputy Director position to the Policy and Planning Officer position. At the same time, another employee was promoted to the Deputy Director position.

Administrative Leave Earned Not Supported

The Department of Justice did not maintain adequate payroll records to properly account for the hours of administrative leave accrued and taken by its employees. In addition, the department's administrative leave policy does not address the accumulation of administrative leave. Good internal control includes policies and procedures to maintain time and attendance records for all employees including administrative leave granted and taken. By not properly accounting for the accumulation of administrative leave, the department may be granting leave for which the employee is not entitled, thereby misusing leave benefit provisions.

The department has an administrative leave policy that states, "Administrative leave may be granted to attorneys, division directors, deputy division directors, and section chiefs and other individuals, in accordance with Fair Labor Standards Act (FLSA) at the discretion of the Attorney General, the First Assistant Attorney General, or a Division Director; provided, however, that no such leave shall exceed three consecutive working days in duration during any given leave period." The administrative leave is used to compensate for overtime hours worked, although the department does not consider the hours earned, but rather granted on a merit basis. During our current audit of the department's payroll records, we found 31 employees took approximately 1,100 hours of undocumented administrative leave. The leave granted was not supported by documentation that indicated the employee had worked sufficient hours of overtime to warrant the time absent from work. The employees who are eligible for administrative leave do not submit adequate time and attendance records. These employees submit certifications at the end of each pay period stating they have worked at least 40 hours per week including all authorized leave. However, the certifications do not indicate how many hours were worked nor do they indicate the amount of administrative leave granted and/or taken.

Complete payroll documentation, including adequate time and attendance records, is necessary to support amounts paid to all employees as salary, to support the amount of administrative leave taken, to maintain accumulated administrative leave balances, and to reduce the risk that errors and fraud may occur and not be detected. The department should develop policies and procedures to accurately account for hours worked and administrative leave granted and taken. Management has outlined a plan of corrective action (see Appendix A, page 10).

LEGISLATIVE AUDITOR

**HONORABLE RICHARD P. IEYOUB
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA**

Compliance and Internal Control Report
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable conditions described previously are material weaknesses.

This report is intended solely for the information and use of the Department of Justice and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large, stylized "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

BB:STD:RR:ss

[Justice02]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



RICHARD P. IEYOUNG
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
ADMINISTRATIVE SERVICES DIVISION
Baton Rouge
70804-9095

P.O. BOX 94095
TELEPHONE (225) 342-7876
FAX (225) 342-3790

November 8, 2002

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Attorney General's Official Response to Reportable Audit Finding

Dear Dr. Kyle:

Pursuant to your request, the following is my response to the reportable audit finding relating to lack of internal audit function for the Department of Justice. The Department concurs with the finding to the extent that the Louisiana Department of Justice does not have a specific position titled and performs as an internal auditor. However, there are levels on internal auditing being performed by our current staff. This management does lack an overall internal auditing function. The following steps will be taken to address issues of the audit finding:

- A meeting with the Director, Deputy Directors and Section Chiefs of Administrative Services will be planned. A discussion of the finding and establishment of key goals, objectives and a plan of action will be determined.
- We will review our current resources and make the best assessment of what it will take to implement the internal audit function with current resources.
- We will review current internal control procedures to ensure we are operating in accordance with applicable laws and regulations.
- We will review our risk assessment and revise procedures that will allow the detection of errors and/or fraud in a timely manner.

Dr. Daniel G. Kyle
Legislative Auditor
November 8, 2002
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The persons responsible for the corrective actions will be Jack E. Hightower, Jr. and Dianne J. Shelmire. The anticipated completion date of the corrective actions will be on or before March 1, 2003.

The Department of Justice will take the steps necessary to establish an internal audit function to ensure that the assets of the department are properly safeguarded against fraud.

Sincerely,

RICHARD P. IEYOUB
Attorney General

By: 
JACK E. HIGHTOWER, JR.
Director, Administrative Services

RPI:djs



RICHARD P. IEYOUB
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
Baton Rouge
70804-9005

P. O. BOX 94005
TELEPHONE (225) 342-7013
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January 17, 2003

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Management's Response to Reportable Audit Finding on Compensation to an Employee

Dear Dr. Kyle:

Under date of September 18, 2001, an employee of the Department of Justice (Department) submitted three letters to the Attorney General. The first letter requested that she be granted maternity leave from November 26, 2001, to March 1, 2002, for the birth of her third child. The Attorney General approved this request as evidenced by his signature on the first letter.

The second letter requested that she be permitted to take the annual leave that she had earned and accrued under R.S. 42:421(B). In addition to the annual leave, the employee had earned and accrued compensatory leave for which the Department was legally obligated to compensate her. Due to the exigencies of her employment, she was unable to take the compensatory and annual leave as it was earned and accrued. The Attorney General approved her request to take annual leave as evidenced by his signature on the second letter.

The third letter expressed her intention not to return to work after her maternity leave was exhausted (i.e., March of 2002). Subsequent to the submission of this letter, the employee contacted the Attorney General and verbally requested permission to return to work if at all possible.

During the time the employee was on leave, while not physically in the office, she was nevertheless available by telephone and computer. On numerous occasions she was consulted and gave advice on matters falling within her areas of expertise.

The employee was one of only two Deputy Directors in the Department's Administrative Services Division. Her responsibilities were extensive and are enumerated in the attached job description (Exhibit DOJ "A"). They included the coordination of budgetary, legislative, Management Information Systems (MIS), policy and procedures and special projects matters. The Attorney General deemed her continued employment to be in the best interest of the Department. Hence, the employee's request to return to work was honored.

As previously noted, while on maternity leave, the employee's third child was born on November 28, 2001. Her first child, at age two, was diagnosed with Myoclonus, a disease of the central nervous system characterized by uncontrollable muscle contractions. To treat this condition, the child was placed on medication indefinitely. In February of 2002, an obstruction of the child's kidney was also determined to require surgery. Ureteropelvic junction obstruction surgery was performed in April of 2002. The success of the surgery was confirmed only after an ultra sound and later by a mag renal scan performed on November 17, 2002.

In addition to these medical problems, and over the six-month period during which earned annual leave was taken, the family's business and household were relocated from Baton Rouge to Lafayette.

R. S. 42:421(B) provides that "No limitation shall be placed upon the amount of annual leave which any employee of the state or of any state agency may accrue during the period of his employment;". Further, the Department's Policy and Procedure Manual states that annual leave is "Leave with pay granted an employee for the purpose of rehabilitation, restoration and maintenance of work efficiency, or the transaction of personal affairs." It must be applied for in advance as was done by the employee in this instance.

In November of 2002, after the completion of the family's move to Lafayette and the resolution of some of the medical problems, the employee contacted me and asked to work out of the Lafayette office. Her return was conditioned upon a vacancy occurring within the Department's Lafayette office or her ability to make a daily commute from Lafayette to Baton Rouge.


The employee was advised that there was no opening in the Lafayette office. In her resignation letter dated December 9, 2002, she indicates that, with three children under the age of four, a commute to Baton Rouge would be impossible. Her resignation, effective December 8, 2002, was accepted by the Attorney General as evidenced by his signature thereon.

She was subsequently out-processed in accordance with Departmental Policies and Procedures. After separation, she was paid for three hundred hours of accrued annual leave as required by R.S. 42:421(B).

In conclusion, a valued 15-year state employee requested and was granted maternity leave, compensatory leave and annual leave. The maternity leave was granted as required by federal law. The Department was legally obligated to compensate her for the earned compensatory leave. The annual leave was granted in accordance with the Department's Policy and Procedure Manual and for the purposes stated therein – i.e. rehabilitation and the transaction of personal affairs. The leave was audited and verified for accuracy by the Legislative Auditor.

The Legislative Auditor's suggestion that the employee "was exhausting her annual leave and had no intention of returning to work" is inaccurate.

Sincerely,



Jack E. Hightower, Jr.
Director, Administrative Services

JEH/dr

**DEPUTY DIRECTOR
ADMINISTRATIVE SERVICES DIVISION
JOB DUTIES AND RESPONSIBILITIES**

Budget

Prepare talking points or speech for the Attorney General and/or First Assistant if either appear before House Appropriations or Senate Finance regarding the DOJ budget.

Prepare budget recommendations for the Attorney General and/or First Assistant.

Prepare internal budget schedules and deadlines beginning July 1 through November 1 for Administrative Services Division Director and First Assistant.

Draft memos regarding the budget.

Draft letters to the Division of Administration regarding budget cuts or the status of the budget.

Pursuant to executive orders on a statewide freeze, submit exemption requests for any MIS vacant positions or acquisition needs.

Prepare letters to House and Senate for Attorney General regarding budget cuts.

Prepare updated Sunset Review Unfunded Mandates to the Budget Analyst for inclusion in the November 1 budget every year.

Prepare updated Activities Discretionary and Non-Discretionary to the Budget Analyst for inclusion in the November 1 budget.

Legislative

Read legislation as filed and assign it by subject matter to attorneys in the department.

Prepare testimony for the Attorney General and/or First Assistant before any legislative committee.

Before a Regular Session train all attorneys who are assigned to review legislation.

Coordinate legislative proposals supported by the Attorney General's office.

Under R.S. 49:191(10), introduce legislation every four years to recreate the Department of Justice.

On behalf of the departmental attorneys, make requests of House and Senate Staff for legislative history, committee meeting minutes, transcripts and committee hearing tapes.

Request of the Secretary of State Archives any committee hearing tapes that are not provided by the House and Senate.

Provide workshops on the legislative process for student groups and grass roots organizations.

After the Attorney General appoints a First Assistant, submit the First Assistant's name and biography to the Senate for Confirmation when necessary.

Prepare correspondence to the House and Senate staff regarding any issues impacting the employees at the capitol.

Performance Audits

Coordinate the Attorney General's responses to Performance Audits conducted by the Legislative Auditor.

Conduct Internal/External Assessments for the Administrative Services Division and the Executive Office.

Management Information Systems (MIS) Section

Oversee the MIS Section.

Schedule a meeting around mid-August of every year with the First Assistant, Director of Administrative Services, Deputy Director, Mgt. and Finance, Budget Analyst, and Section Chief of MIS to discuss the yearly plan for MIS needs and expenditures. Have First Assistant approve of the plan so that the Deputy Director of Mgt. and Finance knows to immediately process those requisitions upon receipt.

Continue to be competitive in the area of MIS salaries by making recommendations to the Attorney General and Johnny Anderson on MIS salary increases. This should be done around August 15 of every year and the performance evaluation should be attached.

Notify Johnny Anderson of any vacant positions in MIS and request him to either provide potential applications or allow us to advertise the position in the newspaper.

Approve and submit to the Louisiana Technology Counsel any departmental proposals for funding.

Interview MIS applicants once Mike Riley has interviewed and referred them.

Approve of the DOJ Technology Five Year Strategic Plan.

Approve of any Technology Information submitted by MIS to the Legislature.

Approve all requisitions submitted by MIS.

Approve of all compensatory time submitted by MIS employees.

Drug Policy Section

Oversee the Drug Policy Section.

Approve all requisitions submitted by Drug Policy.

Approve of all compensatory time submitted by Drug Policy employees.

Approve of time sheets for Section Chief of Drug Policy.

Planning Analyst

Supervise the Planning Analyst.

Approve of time sheets and compensatory time for Planning Analyst.

Employee Evaluations

Every June, complete performance evaluation on Section Chief, MIS.

Every August, complete performance evaluation on, Section Chief, Drug Policy.

Every September, complete performance evaluation on Planning Analyst.

Prepare memoranda for First Assistant to Deputy Attorneys General regarding staff who have not received performance evaluations.

Policy and Projects

Develop and update the departmental Policy and Procedure Manual.

Prepare departmental salary information for the First Assistant.

When requesting the Division of Administration to increase departmental salaries, submit a salary schedule and plan for Assistant Attorneys General and support staff.

JP and Constable Conference

Extend written invitations over the Attorney General's signature to legislators who are located in the area that the Annual Justice of the Peace and Constable Conference is held.

Attend the Annual Conference opening luncheon to coordinate the head table and greet the legislators who attend.

Public Records Requests

Draft responses to public records requests.



RICHARD P. IEYOUB
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
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December 18, 2002

Mr. Daniel G. Kyle, Ph.d, CPA, CFE
Legislative Auditor
State of Louisiana
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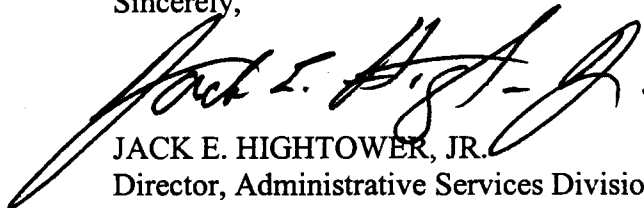
RE: Inadequate Payroll Records

Dear Dr. Kyle:

Pursuant to your request, the following is my response to the reportable audit finding relating to inadequate payroll records.

The Department of Justice is drafting revised policies and procedures to accurately account for hours worked and administrative leave granted and taken.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack E. Hightower, Jr.", written over the printed name and title.

JACK E. HIGHTOWER, JR.
Director, Administrative Services Division